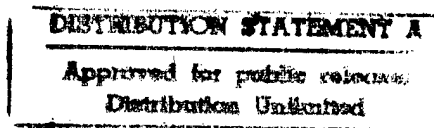

Logistics Management Institute

Improving Equipment Procurement
Response Times at the Defense
Commissary Agency

CA501MR1



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LOGISTICS MANAGEMENT INSTITUTE

Improving Equipment Procurement Response Times
at the Defense Commissary Agency

Executive Summary

The Defense Commissary Agency (DeCA) seeks to reduce its procurement response times for commissary operating equipment. One of DeCA's regions reported that for FY94 only 24 percent of its requisitions were filled within 3 months and more than 40 percent took longer than 6 months. For some of those requisitions, supply sources were unable to fulfill commitments to provide contracting support, which resulted in the expiration of funds. DeCA's supply sources have also selected equipment that was inappropriate for its intended use.

To reduce its equipment procurement response times, we recommend that DeCA procure operating equipment using the following procurement methods:

- ◆ *Customer value contracting (CVC).* Under this Defense General Supply Center (DGSC) program, customers select commercial equipment by make and model. Because DGSC already has the required contracts in place, the equipment can be delivered in a timely manner.
- ◆ *Micropurchasing.* Under a provision of the Federal Acquisition Streamlining Act of 1994, Federal agencies (such as DeCA) are authorized to purchase equipment and supplies costing less than \$2,500 using a government purchase card. Many commissaries could satisfy their annual requirements for specific operating equipment without exceeding the \$2,500 threshold.
- ◆ *Requirements-type contracts (RTCs).* RTCs, which DeCA's East Service Center (ESC) has used for three years, have many of the same features as the CVC method. However, ESC should expand its use of RTCs to include more items.

As an aid in implementing these methods in the short term, we recommend that DeCA

- ◆ conduct a test of the CVC method using a sample of typical commissary equipment and document the limits of the test with a memorandum of agreement;
- ◆ develop procedures and control systems to govern the use of micropurchasing;

- ◆ develop forecasts of equipment requirements in support of both the CVC and RTC methods;
- ◆ ensure access to the Defense Automated Addressing System and Standard Automated Material Management System for DeCA personnel that support the procurement function; and
- ◆ develop criteria for assessing the benefits and costs associated with the various procurement methods.

Assuming that the three methods can improve DeCA's equipment response times, we further recommend three additional actions that would enhance DeCA's equipment procurement procedures over the long term. Those actions are to:

- ◆ Formulate an approach for developing multi-year forecasts of equipment requirements in support of the CVC and RTC methods. The approach should consider a number of factors that influence equipment forecasts, including construction and refurbishment plans, transfers and reutilization of equipment from commissaries, and equipment maintenance histories.
- ◆ Initiate coordination meetings with the Defense Construction Supply Center and the General Services Administration to establish procedures for reducing procurement response times for the equipment that is procured through those organizations.
- ◆ Modify the commissary equipment description to use the manufacturer's specifications, which would eliminate the need for DeCA to generate the information. The commissary equipment description would become a catalog of authorized equipment, while permitting individual commissaries to select the equipment that best meets their requirements.

Our recommendations have the potential to improve DeCA's equipment procurement functions. They should substantially reduce DeCA's procurement response times and the associated workloads, while permitting commissaries to obtain the best equipment.

Contents

Chapter 1. Introduction	1-1
Background	1-1
Acquisition Business Unit	1-1
Report Organization	1-2
Chapter 2. Current Practices	2-1
Description	2-1
Analysis of DeCA's Procurement Patterns	2-5
Summary	2-7
Chapter 3. Alternative Approaches	3-1
Customer Value Contracting	3-1
Micropurchasing	3-2
Requirements-Type Contracts	3-2
Benefits	3-3
Implementation Issues	3-3
Operating Concept	3-4
Summary	3-8
Chapter 4. Implementation Strategy	4-1
Short-Term Implementation Plan	4-1
Long-Term Implementation Plan	4-4
Summary	4-5
Chapter 5. Summary	5-1

Illustrations

2-1. DeCA's Operating Equipment Procurement Process	2-2
2-2. DeCA's Equipment Procurements by Supply Source (FY94)	2-6
2-3. Procurement Completion Times, Northwest/Pacific Region (FY94)	2-7
3-1. Proposed Operating Concept	3-5
4-1. Short-Term Implementation Plan	4-1
4-2. Long-Term Implementation Plan	4-4

Tables

2-1. Equipment Supply Sources (FY94)	2-6
3-1. Purchase Order Issue Time for RTC Items	3-2

CHAPTER 1

Introduction

BACKGROUND

The Defense Commissary Agency (DeCA) uses a wide variety of operating equipment, such as meat slicers, grinders, ice flakers, fork lifts, and pallet jacks, in satisfying the needs of its patrons. Currently, DeCA's commissary equipment description (CED) includes 191 types of operating equipment that are authorized for commissary use. Its annual procurement budget for operating equipment is between \$10 million and \$20 million.

In June 1994, DeCA surveyed its CONUS regions to identify problems associated with the procurement of commissary equipment. The results of that survey indicated that commissaries were routinely experiencing lengthy procurement response times. They were also having difficulty obtaining information on the status of their requisitions; some national stock number items did not meet a commissary's requirements, even though they were designated as the approved replacement items; and some commissaries were charged equipment prices that exceeded the prices listed in Federal equipment catalogs.

This report examines DeCA's lengthy response times and other issues related to the procurement of operating equipment. We limit our examination to CONUS regions because the European region follows different procedures when procuring equipment.

ACQUISITION BUSINESS UNIT

DeCA recently established the Operational Support Center to centralize operations, promote cooperation among directorates, and improve commissary support. Staffed with cross-functional teams, the Operational Support Center consists of several business units with operational responsibilities. The Acquisition Business Unit (ABU) is one such unit. Established in May 1995 to begin operations in July 1995, the ABU's four operating divisions are

- ◆ equipment, supplies, and property accountability;
- ◆ acquisition support;

- ◆ services; and
- ◆ subsistence.¹

Since its establishment, the ABU has assumed responsibility for several regional functions, including equipment procurement. In assuming that responsibility, the ABU has enabled DeCA to reduce the number of procurement personnel in the regions. The ABU is staffed with personnel from headquarters, the regions, and DeCA's East Service Center (ESC).

REPORT ORGANIZATION

This report consists of four additional chapters. Chapter 2 describes DeCA's current practices for procuring operating equipment. It includes an assessment of DeCA's procurement response times and identifies four issues associated with making needed improvements.

Chapter 3 identifies three alternative procurement approaches that DeCA could use to reduce its procurement response times. It identifies the benefits of each approach and describes an operating concept for each within the context of the ABU.

Chapter 4 presents an implementation strategy for the three approaches, while Chapter 5 summarizes our findings and recommendations.

¹The Defense Personnel Support Center (DPSC) formerly performed the subsistence function for DeCA.

CHAPTER 2

Current Practices

In this chapter, we describe the current practices that DeCA uses to procure equipment. We also identify several issues associated with those practices. We conclude by evaluating the procurement response times for several supply sources by type of procurement.

DESCRIPTION

DeCA procures operating equipment from five supply sources: Defense General Supply Center (DGSC); Defense Construction Supply Center (DCSC); General Services Administration (GSA); DeCA's ESC; and local procurement, which consists of either a regional headquarters contracting office or the procurement office of the base where a commissary is located. (DPSC supplies less than 1 percent of DeCA's equipment.)

Through the commissary equipment allowance list (CEAL), DeCA Headquarters authorizes every commissary to procure specific types of operating equipment up to a maximum number. The type and amount of equipment authorized is a function of the commissary's physical size and business volume. Each year commissaries procure operating equipment to replace worn or malfunctioning equipment; to upgrade their operations, such as using scale printers with the capability to print product ingredients; or to provide a new service, such as a display case and ice maker to support the addition of fresh seafood sales.

Figure 2-1 shows DeCA's process for procuring operating equipment. In describing this process, we designate the activities involved with the letters [a] through [o] and the information flows with the numbers (1) through (14).

The procurement process begins with the specifications. Commissary personnel define their requirements for equipment by functional needs and then supply DeCA Headquarters with commissary-developed specifications or commercial specifications [a]. If the equipment is commercially available and a commissary has not issued specifications, vendors provide the specifications [b]. The specifications could include equipment output, power requirements, or maintenance availability.

The logistics branch of DeCA Headquarters maintains the CED and CEAL [c]. The CED is updated in response to commissary requirements (1) and commercially available equipment (2). It contains full specifications for every

piece of approved equipment, including make and model, features, and preferred supply source. The specifications in the CED are reviewed regularly to maximize standardization throughout DeCA. The CEAL contains the allowed equipment quantities per commissary and their sources of supply.

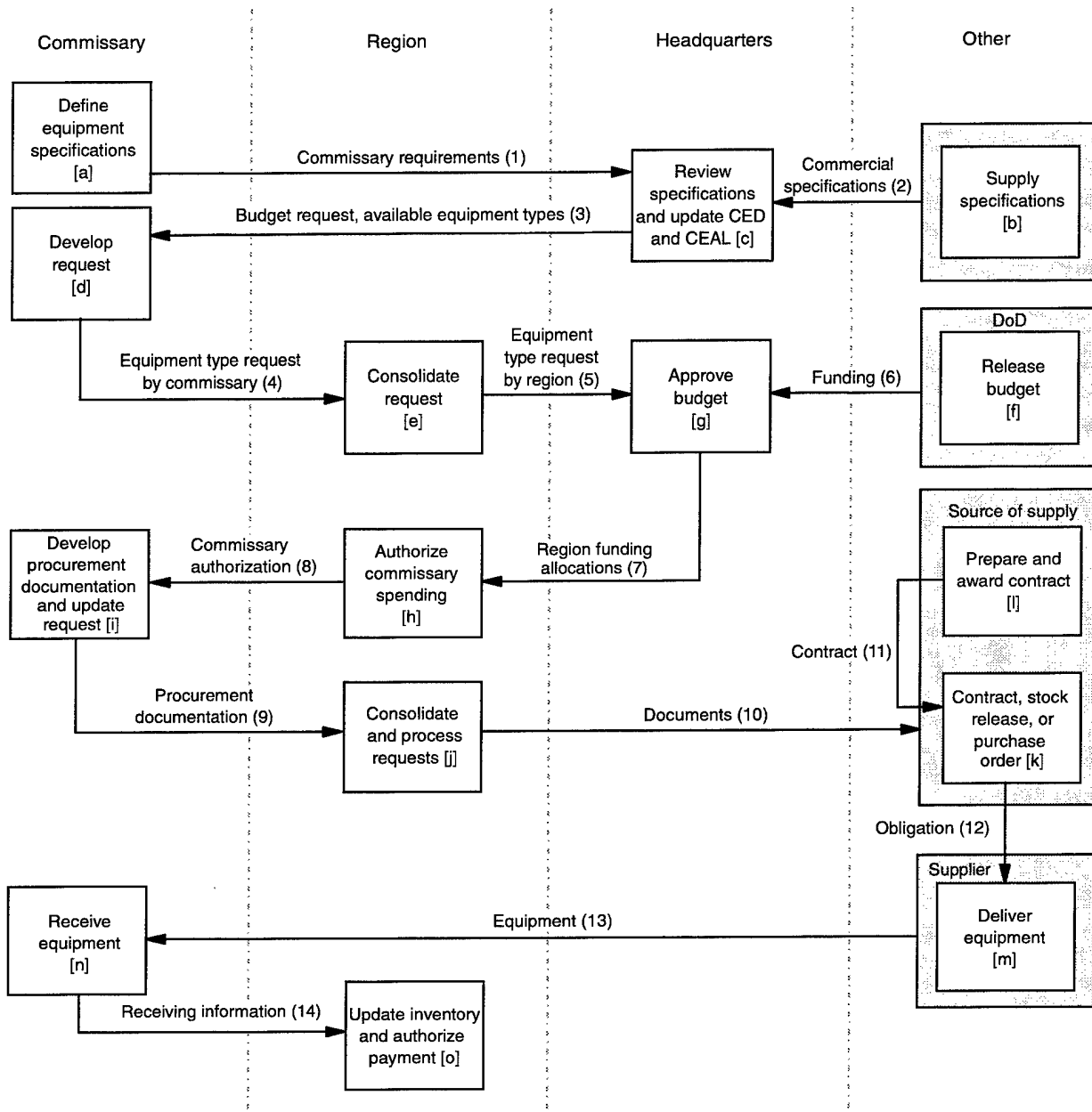


Figure 2-1.
DeCA's Operating Equipment Procurement Process

Each spring, annual budget requests are forwarded to the commissaries along with the CED and CEAL (3). The budget requests task commissaries to estimate their equipment purchases for the next fiscal year and the funds

required for those purchases [d]. In response to the requests, the commissaries review their on-hand equipment with the CED and CEAL. The commissaries then forward their equipment budget requests to the regions (4). After reviewing the requests for compliance with the CED and CEAL, the regions consolidate their commissaries' requests [e] and then forward the consolidated requirements to DeCA Headquarters for budget preparation (5).

When the Department of Defense (DoD) releases DeCA's procurement funds [f], DeCA Headquarters approves the equipment budget [g] and using the released funds (6), allocates the required funding to the regions (7).

Upon receipt of annual funding, the regions authorize commissaries to develop documentation for the requested equipment [h]. When it receives that authorization (8), each commissary develops the required procurement documentation and updates its equipment request [i]. As specified in the CED, this documentation depends on the supply source. DD Form 1348, "Single Line Item Requisition System Form," is used for equipment with national stock numbers; Military Interdepartmental Purchase Requests (MIPRs) contain the specifications for items that DGSC or DCSC procures; and DeCA Form 10-10, "DeCA Purchase Requests and Commitment," provides the specifications for items that are to be procured locally or by ESC. The commissary then forwards the documentation to the region (9). Alternatively, regions may develop some documentation based on the commissary's initial request [d].

Next, the regions consolidate the requests, assign the proper accounting data to fund the procurement, and sort the documents based on supply source [j]. The documents are then sent to the appropriate supply source (10). All DD Forms 1348 destined for either DGSC or DCSC are mailed, faxed, or submitted via the Defense Automated Addressing System (DAAS). The DD Forms 1348 for GSA are entered into the Multi-user File for Interagency News System (MUFFIN); all MIPRs are mailed or faxed to DGSC or DCSC; and all DeCA Forms 10-10 are mailed or faxed to ESC.

Upon receipt of the documents, the supply source takes the necessary actions to fill DeCA's requirements [k]. The actions vary based on the supply source and requisition. For items procured using a DD Form 1348, DGSC, DCSC, and GSA issue stock release authority for warehoused items or issue a purchase order for items that are under direct-vendor delivery contracts. MIPR and DeCA Form 10-10 procurements are processed and contracts awarded (11) by DGSC, DCSC, or ESC in accordance with the Federal Acquisition Regulation (FAR). Regardless of the contracting office — DGSC, DCSC, ESC, or local — contract preparation and award [l] may take six to nine months, following policies set forth in the FAR and Defense Federal Acquisition Regulation Supplement (DFARS).

ESC has placed a limited number of items on requirements-type contracts (RTCs). For those items, ESC issues a purchase order to vendors for 30-day delivery direct to the commissary. These contracts are discussed in more detail in Chapter 3.

The documentation (i.e., purchase orders, contracts, or stock releases) that is submitted to suppliers (12) includes DeCA funding obligations that authorize suppliers to deliver equipment [m] to the requiring commissary (13). Upon receiving the equipment [n], the commissary submits receipts (14) to the region for updating inventory records and authorizing payment of invoices [o].

Issues

While reviewing this process, we identified four issues that could impede DeCA's performance:

- ◆ The process takes too long and in some cases supports the requirements for only one year.
- ◆ The process requires commissary personnel to perform redundant actions.
- ◆ The supply source determines the make and model of the equipment being procured.
- ◆ The effort required to maintain the CED is excessive.

Each of these issues is briefly discussed below. In our discussion, we again reference the process letters and information flow numbers in Figure 2-1.

LENGTH OF PROCESS

Procurement response times cover several processes from developing the procurement documents [i] through receipt of the equipment at the commissary [n].² Each process is performed sequentially for total response times exceeding 15 months in some cases. Preparing and awarding the contract [l] is the most lengthy process of the response time equation.

DeCA procures its equipment in accordance with the provisions of FAR and DFARS. Depending on the value of the award, contracting [l] could result in the supply source taking six to nine months to obtain the equipment. The contracting process could be further delayed if the specifications are incomplete, an unsuccessful vendor submits a protest, or the contracting office has staffing conflicts.

Most of DeCA's equipment requirements are satisfied by commercially available equipment that have predictable life cycles. In addition, DeCA's equipment needs are relatively stable from one year to the next. However, MIPRs, which contain only one year's requirements, force supply sources to award only one-year equipment contracts, placing an undue burden on the contracting process [l].

²Equipment destined for overseas commissaries is considered received when delivered to the port of embarkation.

Commissaries develop their equipment requests [d] as part of the annual equipment budget. When they receive funding authority, which could occur up to six months after the budget request, commissaries develop their requests and update them as required [i]. This step is necessary because of the length of time that has elapsed, although most commissary requirements do not change between April and October. Nonetheless, commissaries do not begin to develop procurement documentation until they update their requests [i], which means that DeCA loses six months of contract lead-time by not preparing equipment documentation before it receives funding authorization.

PROCESS REDUNDANCIES

Although each region consolidates its requests [e], DeCA does not consolidate the region's requests into one procurement action. This practice results in contracting offices awarding multiple contracts for similar equipment, which generates additional work for the supply source and possibly additional cost for DeCA. However, if the supply source held requisitions awaiting further requirements from DeCA, the regions that submitted their requirements early could incur additional delays.

EQUIPMENT MAKE AND MODEL SELECTION

The CED is the basis for all DeCA equipment selection. Its specifications include the preferred make and model, along with the phrase "or equivalent," to maximize contract competition. Since the CED does not always include the make and model of equivalent equipment, the supply source, not the end user, often makes the final equipment selection.

CED MAINTENANCE

Much of the equipment in the CED is commercially available. Since the CED lists all equipment by type rather than make and model, DeCA personnel spend an exorbitant amount of time trying to identify the equipment's salient characteristics.

ANALYSIS OF DeCA'S PROCUREMENT PATTERNS

In an attempt to obtain more insight into DeCA's process for procuring equipment, we visited three of DeCA's six CONUS regions (Central, Midwest, and Northwest/Pacific) to gather procurement data. Our objective was to determine if the regions procured their equipment from different supply sources using differing methodologies. The results, which are based upon approximately 2,000 FY94 procurement actions, are presented in Table 2-1.

Table 2-1.
Equipment Supply Sources (FY94)

Region	Supply source				
	DGSC (%)	DCSC (%)	GSA (%)	ESC (%)	Local (%)
Central	2.5	0	2.5	12.5	82.5
Midwest	35.3	7.3	21.3	25.7	10.4
Northwest/Pacific ^a	26.7	2.8	8.6	47.2	14.2

^a DPSC was the supply source for 0.5 percent of DeCA's requirements.

As Table 2-1 shows, two of the regions had similar equipment procurement patterns. However, the Central Region completed approximately 83 percent of its procurement actions locally. According to Central Region representatives, this practice enables their commissaries to avoid using standard supply sources, which were providing inadequate support.

Figure 2-2 summarizes DeCA's FY94 equipment procurements by supply source across CONUS regions, exclusive of the Central Region. These data suggest that DeCA plays a major role in supplying commissaries with equipment because ESC processes one-third of all requisitions.

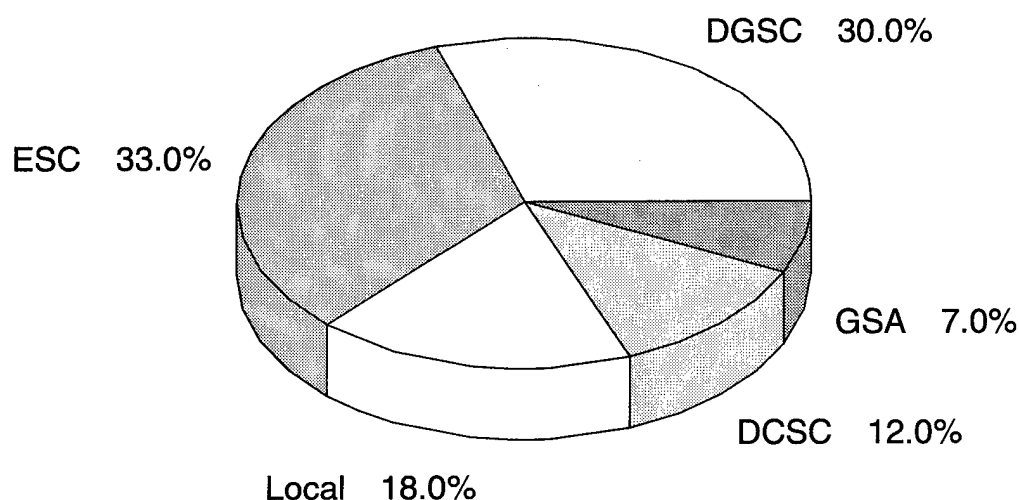


Figure 2-2.
DeCA's Equipment Procurements by Supply Source (FY94)

In discussions with procurement managers from the regions, it was suggested that procurement response times were quite lengthy, particularly for equipment procured from DGSC. As a means of verifying that situation, we recorded the time from requisition to delivery for all Northwest/Pacific Region procurement actions in FY94. We then grouped the results by type of requisition

and plotted the response times against the percentage of cumulative submissions (see Figure 2-3). To illustrate the use of this figure, approximately 50 percent of all local equipment requisitions were filled within three months. In contrast, less than 5 percent of all equipment requisitions that the region sent to DGSC using MIPRs were delivered within three months. In addition, approximately 80 percent of the MIPR requisitions submitted to DGSC took longer than nine months to fill. DeCA representatives indicated that completion times for the other regions would probably be similar to those for the Northwest/Pacific Region.

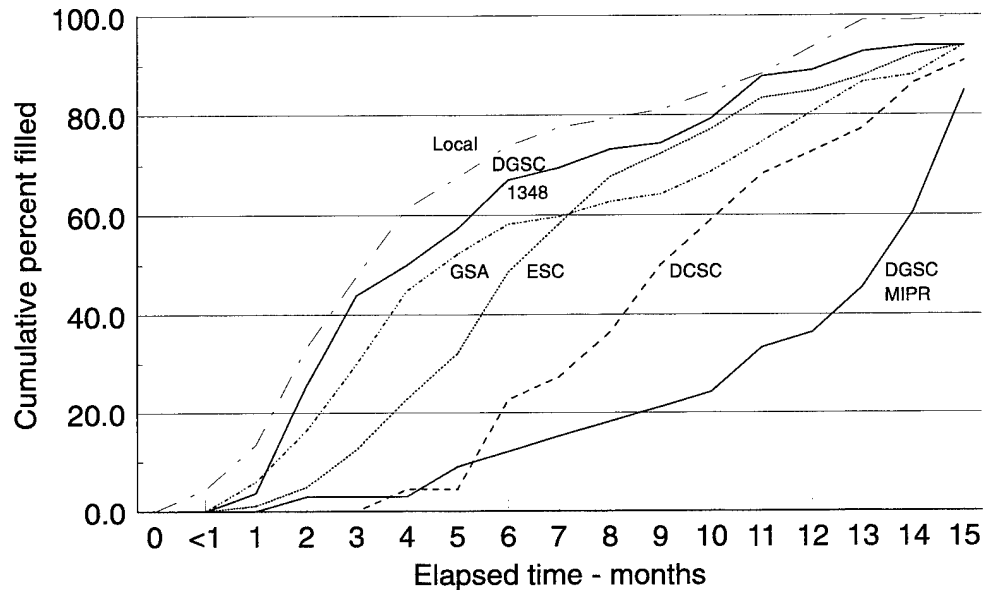


Figure 2-3.
Procurement Completion Times, Northwest/Pacific Region (FY94)

SUMMARY

DeCA procures between \$10 million and \$20 million of operating equipment each year. Its sources of supply for that equipment are DGSC, DCSC, GSA, ESC, and local procurement. It also uses three types of documents to procure commissary equipment, depending on the type of equipment and source of supply. Based upon FY94 data, DeCA's process for procuring equipment appears to be extremely lengthy, particularly when MIPRs are used to procure equipment from DGSC.

In the next chapter, we evaluate three alternative methods for procuring commissary equipment. We also propose a new concept of operations for DeCA's procurement process.

CHAPTER 3

Alternative Approaches

This chapter describes three methods that DeCA could use to reduce its procurement response times for equipment — CVC, micropurchasing, and RTC.¹ It also presents an operating concept for employing the methods.

CUSTOMER VALUE CONTRACTING

CVC is a DGSC program that provides direct delivery of equipment from vendors to ordering organizations within a defined delivery time, often fewer than 30 days. In addition, CVC customers, such as DeCA, are able to specify the make and model of equipment they want to procure.

The CVC method begins with customers providing DGSC with forecasts of their demands for specific makes and models of equipment. Based on those demands, DGSC awards multi-year contracts (with option years) to equipment vendors. The contracts, however, do not guarantee order quantities so neither the customer nor DoD is committed to buy specific quantities. The contracts also contain “add/delete” clauses that enable vendors to substitute new equipment models for older models without having to seek new contracts. The multi-year feature of the contracts tends to separate the contracting process from the ordering process.

When a contract is awarded, national stock numbers are assigned to the commercial equipment. Customers use DD Form 1348 to order equipment. When DGSC receives a DD Form 1348, it places a purchase order with the vendor who delivers the requested items directly to the customer within the time-frame established in the contract.

DGSC has been using CVC for several years to provide food service equipment — the equipment category of most commissary equipment — to the Naval Air Station, Oceana, Virginia; and Naval Ships Systems Engineering Station, Philadelphia, Pennsylvania. Headquarters, Air Force Services Agency, San Antonio, Texas, also has used CVC.

¹These three methods encompass approximately 80 percent of all DeCA equipment purchases.

MICROPURCHASING

The Federal Acquisition Streamlining Act of 1994 (FASA) legislated that procurements of less than \$2,500 (i.e., micropurchases) were exempt from most competition requirements. FASA also authorized agencies to delegate purchase authority to the end-user as a means of minimizing time and labor associated with overseeing the procurement. Additionally, FAR encourages the use of government commercial purchase cards (equivalent to credit cards) in micropurchasing.

Maximum use of micropurchasing could account for as much as 55 percent of all commissary equipment procurement because most commissaries would not exceed the \$2,500 threshold for any particular equipment. However, micropurchasing is not exempt from FAR provisions for the use of required sources of supply and may not be the most economical procurement method.

REQUIREMENTS-TYPE CONTRACTS

RTCs are multi-year contracts that ESC has used for three years. Like CVC, RTCs are completed before a user requests an item, which removes contracting from the response time equation. As seen in Table 3-1, purchase orders are issued within 30 days for many equipment requirements, with an average of less than 10 days for most requisitions.

Table 3-1.
Purchase Order Issue Time for RTC Items

Equipment description	Average issue time (days)	Issue time less than 30 days (%)	Issue time between 30 and 60 days (%)	Issue time greater than 60 days (%)
Shopping carts	5.9	100.0	—	—
Carryout carts	8.7	100.0	—	—
Checkout counters	22.0	78.0	17.0	5.0
Shelving	5.7	95.0	—	5.0

ESC has awarded 24 multi-year RTCs for more than 240 line items of equipment and supplies. When ESC receives a DeCA Form 10-10 for equipment on RTCs, it issues a purchase order to a vendor for direct delivery on either the customer's specified date or within 30 days. Although detailed delivery time data were not available for analysis, by adding the average 10-day purchase order issue time to the contractually required 30 day or less delivery time, we project that the response time for RTC would regularly be less than 60 days.

BENEFITS

All three methods — CVC, micropurchasing, and RTC — have the capability to reduce DeCA's procurement response times. They also have benefits that are discussed below.

- ◆ *Improved response times.* Both CVC and RTC permit direct-vendor delivery to occur within 30 days of the vendor's receipt of the purchase order. Micropurchasing allows a customer to schedule equipment delivery as soon as the order has been placed.
- ◆ *Reduced contracting time.* Following the FAR and DFARS requirements, most contracts take between six and nine months to award. When a contract action is taken in response to a request for equipment, such as occurs with a MIPR, the procurement response time becomes even longer. Both CVC and RTC are executed in advance of a customer's requirement, which eliminates contract execution from the procurement response times.
- ◆ *Reduced contracting overhead.* The CED contains 191 items, while the CEAL specifies how many of those items each commissary is authorized to purchase. A typical commissary could use micropurchasing techniques to order its full allowance of 110 of those items and still remain below the \$2,500 threshold. In addition, CVC and RTC cover multiple years, which reduces the number of contract actions.
- ◆ *Enhanced selection of make and model.* All three methods permit customers to select specific makes and models of equipment, rather than specifying the type of equipment.
- ◆ *Reduced workload.* CVC contracts are awarded to vendors for their entire product line, not for individual items. This practice reduces the number of contracts issued to each vendor.

IMPLEMENTATION ISSUES

Although each of the three methods would reduce DeCA's procurement response times, several issues, discussed below, would need to be resolved before they can be implemented.

- ◆ *CED modification.* The CED currently specifies the make and model for all commissary equipment; it also lists the primary characteristics of that equipment. If CVC was adopted, the CED would need to be modified to include alternative makes and models. Modifying the CED would eventually reduce DeCA's workload because it would no longer be required to maintain equipment characteristics.

- ◆ *Initial contracting.* Use of CVC and RTC would eliminate annual contracts for particular items. However, the standard contracting process would still need to occur when contracts are initially awarded.
- ◆ *Forecasting.* DeCA currently provides contracting sources with annual requirements only. DGSC and ESC would require forecasts of DeCA's equipment requirements to effectively implement CVC and RTC.
- ◆ *Micropurchase controls.* DeCA does not have procedures for governing micropurchases of commissary equipment. At a minimum, those procedures would need to cover the issuance of government purchase cards, ensure that only authorized equipment is procured using those cards, verify that the necessary funding is available before every transaction is completed, and maintain adequate oversight of equipment in inventory.
- ◆ *CVC procedures.* Since CVC would give customers the authority to make the final selection of equipment, some items would probably be selected based on best value or highest utility, not lowest price. When Federal agencies make awards to other than low-cost vendors, they need to document those decisions. DeCA would need to ensure that all such awards are properly documented.
- ◆ *DFARS provision.* Micropurchasing is not exempt from FAR requirements that direct the use of designated supply sources. However, DFARS 208.7003-1(a)(3), Assignments Under Integrated Material Management (IMM), would allow DeCA to authorize commissaries to make purchases from vendors other than the designated supply source for reasons of quality, cost, and timeliness. DeCA would need to invoke this provision.
- ◆ *Cost-benefit analysis.* The results of a cost-benefit analysis of various procurement methods would allow DeCA to select the method that delivers the most value. DeCA would need to perform this analysis before fully implementing the three methods. The analysis should consider all costs and benefits associated with CVC, micropurchasing, RTC, and other procurement methods.

OPERATING CONCEPT

If DeCA implemented the alternative procurement methods, it would need to develop a new process for their support. That process would also need to recognize the staffing changes that recently occurred in the ABU. We depict a proposed operating concept in Figure 3-2.

Equipment vendors would provide commercial make and model specifications to DeCA Headquarters [a]. The ABU would review those specifications (1) and, in cooperation with commissary staff, update the CED and CEAL [b]. The CED would contain makes and models of approved commercial equipment, not just equipment-type specifications.

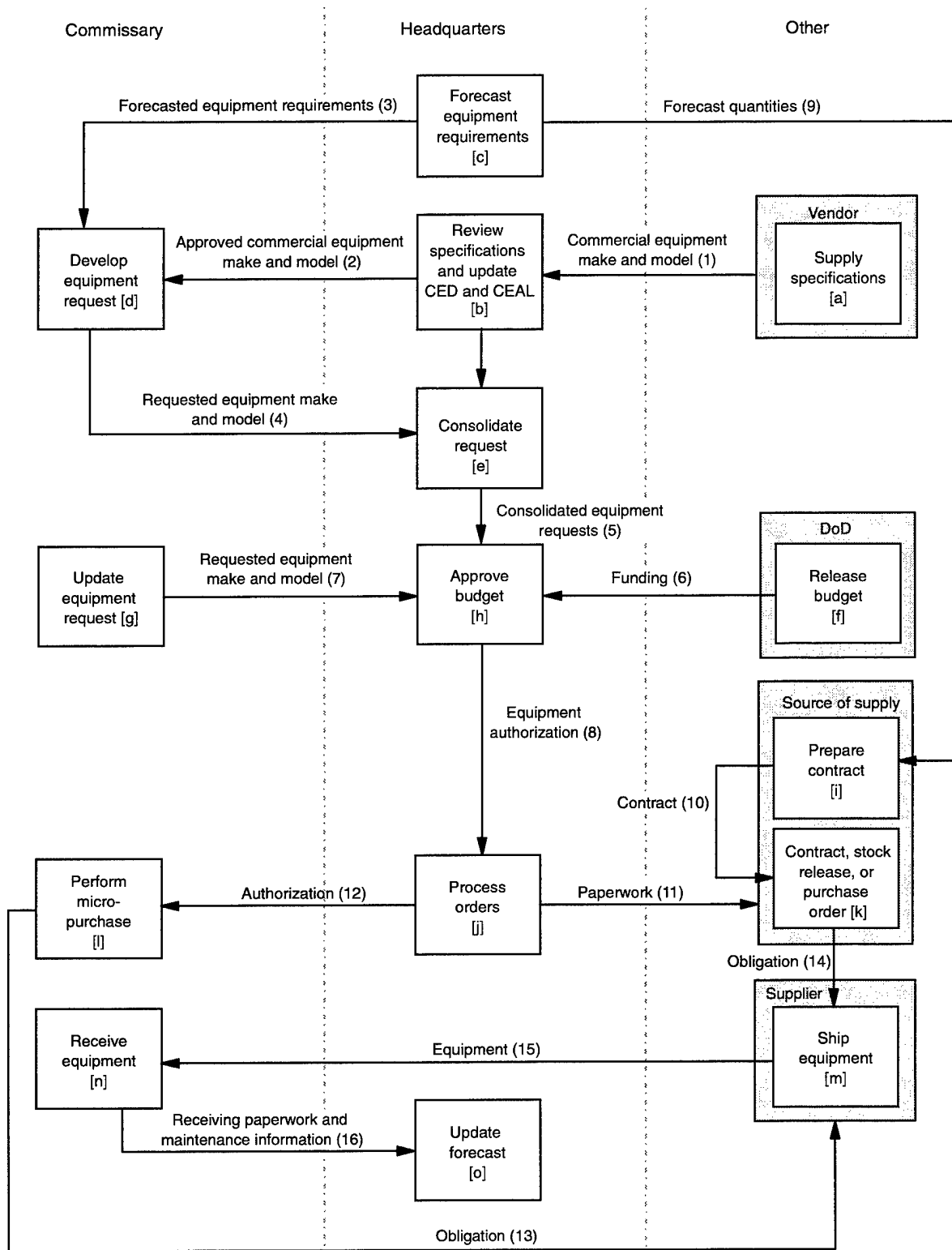


Figure 3-1.
Proposed Operating Concept

Forecasting equipment requirements [c] would be a robust process that considers commercial equipment trends, construction and refurbishment plans, transfers and reutilization of equipment from closed commissaries, and maintenance trends. DeCA's current plans call for data from the Integrated Equipment Management System (IEMS) to support the preparation of the forecasts. DeCA is fielding IEMS to all commissaries. Initial operator training commenced in October 1995 in the Northeast Region.

Using the equipment forecast (3) and the updated CED and CEAL (2), a commissary would develop an equipment request [d] during the annual budget cycle. The equipment request process would validate the equipment forecast and make changes on an exception basis. That request would be forwarded to DeCA Headquarters (4), where the ABU would consolidate requests, develop an equipment priority list for funding, and begin preparation of high-priority requisition documents [e]. In this process, consolidation would occur at DeCA Headquarters, not the regions. With establishment of the ABU, the regions no longer have the manpower to consolidate the requests.

The elapsed time between the equipment request [d] and the DoD budget release [f] would continue to be approximately six months. As a result, commissaries would still have an opportunity to update equipment requests [g] on an exception basis and submit specific make and model changes to DeCA Headquarters (7). Using those request updates, the consolidated equipment requests (5), and the released budget funds (6), DeCA would approve the equipment budget [h]. With that authorization (8), processing of orders would begin.

Forecasts would be used to maximize contract lead-times for all items purchased through CVC or RTC. The forecasting process [c] would provide contracting agencies with expected equipment quantity requirements by make and model for up to five years in advance (9). This timeframe would allow supply sources to prepare contracts [i] in advance of customer requirements. When a contract is in place (10) and the appropriate paperwork has been received from DeCA Headquarters (11) a local procurement action, stock release, or purchase order would be performed [k].

Responsible for order processing [j], the ABU would prepare DD Forms 1348 for stocked and CVC items, and DeCA Forms 10-10 for RTC items. In this operating concept, all DD Form 1348 requisitions would be submitted directly to the supply source through DAAS (under current procedures many DD Forms 1348 are submitted to supply sources by mail or fax). Some new contracting actions would still require the ABU to develop MIPRs or DeCA Forms 10-10 and submit them to the contracting source.

By working closely with DGSC and ESC in the development of CVC and RTCs based on DeCA's annual forecast, the ABU would be able to identify the supply sources that are capable of providing the required equipment when needed. Micropurchase authority could be granted when the contracts would not be in place to meet commissary delivery requirements, when equipment costs are small in comparison to the contracting overhead costs, or when the

required equipment would not be covered by the CVC or RTC programs. In these cases, authorization from DeCA Headquarters (12) would allow commissaries to perform micropurchasing [l] for authorized equipment provided that the purchases do not exceed the micropurchase threshold. Micropurchasing would require commissary officers to select the equipment needed, arrange for delivery, and use a government purchase card to pay vendors (13).

Suppliers would receive obligations either from commissaries (13) or supply sources (14) and then ship the equipment [m] to the appropriate destinations. When the equipment (15) is received at a commissary [n], the commissary would enter receiving information into IEMS. DeCA Headquarters would use this information (16) as input to its forecasts [o].

Benefits

The benefits of using the proposed operating concept include the following:

- ◆ *Reduced ABU procurement workload.* Authorizing commissaries to use micropurchasing would reduce the number of procurement actions that the ABU must process, which would allow it to concentrate on the high-dollar, more complex equipment requests. Commissary workload should remain unchanged, as equipment procurement documentation preparation and requisition follow-up would be replaced with equipment purchase and delivery. In addition, changing the CED to specify commercial makes and models of equipment would reduce the time that the ABU spends developing specifications.
- ◆ *Reduced delays caused by contracting.* Developing a forecasting method that enables contracting agencies to plan for satisfying DeCA requirements would increase the probability that contracts for direct-vendor delivery would be in place when the equipment is required.
- ◆ *Reduced commissary budgeting time.* Using the equipment forecast as a starting point for developing annual budget requirements would aid commissaries in developing budgets.
- ◆ *Reduced MIPR processing.* Preparing MIPRs is a time-consuming process. Use of CVC would reduce the number of MIPRs prepared.

Process Modifications

Implementation of the proposed equipment procurement operating concept would require several modifications to the existing process. Some of those modifications are described below:

- ◆ *IEMS implementation.* As discussed in the operating concept, inventory and maintenance inputs to the forecast would come from IEMS, which is currently being fielded. IEMS implementation would need to be completed before DeCA could adopt the proposed operating concept.
- ◆ *Forecasting development.* To expand the product lines covered by CVC and RTCs, DGSC and ESC would need to receive multi-year equipment requirement forecasts. Those forecasts would need to be based upon historical commissary demand, vendor equipment improvement projections, and DeCA Headquarters' goals. However, DeCA could begin with a more basic forecast method that uses historical equipment procurements to supply the required data.
- ◆ *DAAS access.* Implementing the proposed operating concept would result in DeCA issuing a large number of DD Forms 1348. The most efficient means for issuing those forms would be through DAAS, but DeCA lacks wide access to DAAS.

SUMMARY

This chapter presents an operating concept for DeCA to expand its use of DGSC's CVC program, micropurchasing, and RTCs. In our analysis of the operating concept, we found that its benefits greatly exceed the issues associated with its implementation. In the following chapter, we present an implementation plan for DeCA to upgrade its equipment purchasing practices.

CHAPTER 4

Implementation Strategy

This chapter presents a strategy for DeCA to upgrade its methods for procuring operating equipment. The strategy consists of identifying both short- and long-term tasks, along with proposing schedules for their accomplishment.

SHORT-TERM IMPLEMENTATION PLAN

One of the ABU's primary tasks is to improve DeCA's equipment procurement function. In addition to its day-to-day responsibilities, we propose that the ABU take the lead on several tasks associated with expanding the use of CVC, micropurchasing, and RTCs. Those tasks are identified in Figure 4-1, along with a proposed schedule for their accomplishment. In the remainder of this section, we provide an overview of each task.

Task	Schedule				
	Year 1				Year 2
	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1
Determine procurement methods	▲	▲			
Conduct CVC test	▲				▲
Increase systems support		▲	▲		
Execute micropurchasing		▲			▲
Expand RTC use		▲			▲
Develop cost-benefit model			▲	▲	

Figure 4-1.
Short-Term Implementation Plan

Determine Procurement Methods

To implement our proposed operating concept, DeCA would determine the best procurement method for each of the 191 items in the CED. It would work with DGSC to identify the items for CVC purchase. ESC already has RTCs for six types of equipment and it is developing similar contracts for an additional five. For each of the remaining items, DeCA would select the best procurement method, including use of existing methods. In selecting those methods, DeCA should consider such factors as urgency of need, dollar value, and availability of equipment within the stock system.

Conduct CVC Test

In an effort to encourage DeCA to expand its use of CVC, DGSC has suggested that DeCA conduct a "market basket" test. In that test, DeCA would use CVC to purchase replacement equipment for a representative sample of its equipment. To facilitate the test, DeCA would identify the commercial make and model equipment for all equipment in the sample and provide that information to DGSC. DeCA would also need to develop estimates of future requirements (three or four years) for all sample equipment. DGSC and DeCA would then review the equipment to identify the items that are already on CVC or may be added to an existing contract. Other items may require DGSC to initiate a new CVC.

To ensure a smooth test, DGSC and DeCA would jointly prepare a memorandum of agreement that defines their respective roles and responsibilities during the test, the criteria to be used in evaluating test results, and the expected future relationship between the two agencies. Including evaluation criteria in the memorandum would allow both agencies to develop realistic expectations about the test's scope. Those criteria could include responsiveness to initial contracting request, timeliness of equipment delivery after initial contract award, timeliness of equipment delivery for subsequent delivery, responsiveness to contract additions or deletions, responsiveness to status inquiries, status availability, and comparability to commercial prices. At the conclusion of the test, DGSC and DeCA would evaluate the results and document the associated benefits and shortcomings.

Increase Systems Support

Our proposed operating concept relies on DeCA increasing information systems support to all components involved in procuring equipment. At a minimum, DeCA would provide the ABU with access to DAAS and the Standard Automated Material Management System (SAMMS). Access to DAAS would reduce the time required to submit a requisition, while access to SAMMS would enhance the ABU's ability to determine the status of a particular procurement action.

Execute Micropurchasing

To rapidly execute micropurchasing, DeCA would initially develop rudimentary control. Those controls would ensure that only ABU-authorized equipment is procured and that the funding for each procurement has been approved. DeCA would also need to develop controls for use of government purchase cards and invoke DFARS provisions to permit commissaries, rather than the supply sources, to procure equipment.

As part of adapting new procurement methods at DeCA, micropurchasing can be used for three types of purchases: for low-cost items where it is

uneconomical to incur overhead ordering costs, for urgently needed items where normal procurement channels will not provide an adequate response time, and for commissary-specific items that are not candidates for CVC or RTCs.

Initially, DeCA will probably be required to use micropurchase authority for a large number of items because CVC and RTCs will not be in place for timely delivery. However, we would expect the number of items procured through micropurchase to then diminish as more items are included in CVC and RTC.

Expand RTC Use

The ABU would seek to expand DeCA's use of RTCs by providing a list of equipment in priority order to ESC, which would then place contracts for that equipment. The ABU would also review existing RTCs to ensure that they contain adequate information on future requirements.

Develop Cost-Benefit Model

DeCA would develop a cost-benefit model and capture the data necessary to evaluate the costs and benefits of each procurement method. The model would allow DeCA to choose the lowest-cost source for every item; it would also compare the costs associated with CVC, micropurchasing, RTC, and other procurement methods. The comparisons would include the benefits of immediate delivery available through micropurchasing and the cost savings that may accrue from quantity discounts afforded through CVC, RTC, or other methods.

The ABU's initial objective is to reduce procurement response times, with follow-on objectives of affecting the most cost-effective procurement system. These objectives suggest that development of a cost-benefit model would probably entail identifying and collecting data during the first year of this effort. Those data would include the number of requisitions processed, labor hours and dollars required to process requisitions, dollar value of requisitions processed, requisition submission date, item receipt date at commissary, ESC labor costs for contracting and administration, and overhead cost for equipment procurement planning.

When the ABU has reduced the procurement response times to an acceptable level, DeCA would have the data available to compare the various sources of supply.¹ DeCA would then choose the most cost-effective methodology — CVC, micropurchasing, RTC, or other methods.

¹We estimate that response times of 60 days or less for 90 percent of all requisitions would be an acceptable level.

LONG-TERM IMPLEMENTATION PLAN

DeCA's long-term strategy for reducing procurement response times should include more planning and more integration among DeCA's procurement methods and information systems. Building upon the schedule presented in Figure 4-1, we present a plan for achieving those results within two years in Figure 4-2. That plan encompasses four separate tasks, which are briefly described in the remainder of this section.

Task	Schedule			
	Year 2			
	Qtr 1	Qtr 2	Qtr 3	Qtr 4
Explore initiatives with DCSC and GSA	▲			
Modify CED	▲			
Develop multi-year forecasts	▲			▲
Expand use of CVC		▲	▲	

Figure 4-2.
Long-Term Implementation Plan

Explore Initiatives with DCSC and GSA

Our short-term implementation plan would be followed by DeCA initiating coordination meetings with DCSC and GSA to establish procedures for reducing procurement response times for the equipment that is procured through those organizations.

Modify CED

DeCA would modify the CED to use commercial make and model of equipment, wherever possible. The CED would include the manufacturer's specifications, eliminating the need for DeCA to generate the information. If more than one manufacturer provides comparable equipment, the CED would include information on all makes and models. This practice would enable DeCA Headquarters to create a catalog of authorized equipment, while still permitting individual commissaries to select the equipment that best meets their requirements.

Develop Multi-Year Forecasts

Continued success of the proposed operating concept requires DeCA to develop the capability to prepare multi-year forecasts of commissary equipment requirements. These forecasts would enhance the ability of DGSC and ESC to

award multi-year equipment contracts. Ideally, the forecasting method would account for commercial equipment trends, construction and refurbishment plans, transfers and reutilization of equipment from closed commissaries, and maintenance trends. It would also receive equipment inventory and maintenance information from IEMS.

Expand Use of CVC

Building upon the anticipated success of the market-basket test, DeCA would expand the use of CVC to additional items. The rate of expansion should be based on the results of the test. If test results show that CVC is not a suitable method for procuring commissary equipment, DeCA should use the test criteria and the results of the cost-benefit analysis to identify better equipment procurement methods.

SUMMARY

When the ABU becomes fully operational, one of its major challenges will be to enhance DeCA's procedures for procuring operating equipment. In this chapter, we present both a short- and long-term plan for implementing needed improvements.

CHAPTER 5

Summary

Our examination of DeCA's procedures for procuring operating equipment shows that current procedures result in unnecessarily long response times and extra workload. As corrective action, we recommend that DeCA expand its use of three procurement methods — CVC, micropurchasing, and RTC. In addition to reducing procurement response times, we believe that use of these methods will

- ◆ reduce contracting lead-time,
- ◆ reduce contracting overhead,
- ◆ reduce the ABU's procurement workload,
- ◆ reduce procurement work at commissaries, and
- ◆ give commissaries a wider selection of operating equipment.

To aid DeCA in using these methods, we provide an operating concept, along with short- and long-term plans for implementing the concept. The short-term plan, which addresses actions intended for accomplishment within one year, includes

- ◆ performing a test of CVC procurements with DGSC,
- ◆ calculating equipment forecasts to support both CVC and RTCs,
- ◆ giving ABU personnel access to DAAS and SAMMS,
- ◆ using micropurchasing to acquire equipment that costs less than \$2,500 and is not available through other supply sources, and
- ◆ developing criteria for assessing the performance of various procurement methods.

We also recommend a long-term strategy for procuring operating equipment. That strategy includes using more extensive planning tools, including a robust forecasting capability, and establishing procurement improvement initiatives with DCSC and GSA.

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